

FARM FACTS

Marketing Forage Seed

Produced by Saskatchewan Agriculture and Food

Introduction

Forage seed is grown on approximately 80,000 acres in Saskatchewan. Although alfalfa grown for seed production is the dominant crop in terms of acreage, many other crops, from the wheatgrasses for forage production and reclamation to fine fescues and bluegrass for use for turf and amenity purposes, are grown in the province. Some species are grown predominantly for use domestically, and some species and cultivars are multiplied under contract exclusively to supply an export market. **Table I** indicates production of common forage and amenity species grown in Saskatchewan.

Generally, forage and amenity species do not have a formalized marketing or price discovery system. Therefore, the producer bears more responsibility for marketing the crop being grown.

In order to maximize profits, a producer must gather pertinent price and market information for his present or intended crop (an important consideration when dealing with a perennial crop that "locks" the field into production of a single crop for more than one season, and requires considerable lead time before producing a crop), and critically analyze the available information to determine the most appropriate marketing strategy to achieve his goals.



Careful planning, agronomics and marketing will result in a profitable forage seed crop.

Marketing options for forage seed growers include farm gate sales, farm retail sales, and selling or contracting production with a seed company or other party.

Forage Seed Markets

Like most other agricultural commodities, forage seed markets are cyclical in nature, with prices rising and falling in relation to supply and demand. Because of the lead time required to establish an perennial crop and harvest seed from it, forage seed stocks can react slowly to market signals.

Although the market is cyclic in nature, it is not as predictable as in many other agricultural commodities, for a number of reasons. Public policy can have profound effects on

price and availability of some species. Land conversion programs often specify the species acceptable for use in the program, and in the case of large programs, that can see the seeding of millions of pounds of seed in a single season. This can create significant price changes in short periods of time, and makes it difficult for the industry to react effectively, as often the increased demand is not known to the market until the program is announced.

Natural disasters, climatic factors, and economic conditions can influence seed prices. Reclaiming flooded areas, forest fire burns, and increased new house construction all increase demand for seed.

The forage and amenity species seed industry is characterized by a

large number of species, some of which have very small markets. Crop failures, or too many acres of a species being grown, can cause large fluctuations in prices of species with small markets.

The Importance of Marketing

A producer, who wishes to maximize the success of selling forage seed, must consider all aspects of market conditions and marketing.

Marketing considerations should be considered well before a new seed field is planted. Some important points to consider when selecting a crop and marketing forage seed include:

- Consider crop agronomics. Select a species well-adapted to local

growing conditions. Choose fields carefully, considering suitability of the soil, and any isolation requirements for pedigreed seed production. Be aware of the field's previous crop history, paying particular attention to any herbicide residues that may harm a new forage stand, or any past forage crops that may volunteer and contaminate seed lots of the new crop.

- The seed quality requirements of the target market. Seed standards are outlined in the Canada Seeds Act to assist in determining grades, however in many cases these guidelines can be considered only minimum standards, with many markets requiring higher levels of freedom of weeds and

other crop kinds. Knowing seed quality requirements of the intended market allows for selection of fields based on the absence of potentially troublesome weeds and other crop kinds.

- Select species and cultivars that are in demand, or have good demand potential.
- Level of marketing expertise and desired risk level. Contracting reduces the time and expertise required for marketing, and can lower risk.

It is important to emphasize that the marketing process should begin as early as two years prior to the seeding of the crop, to allow for appropriate weed control on land destined for seed production.

Table 1 - Forage Seed Production, Saskatchewan, thousand kilograms

Year (19)	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98
Alfalfa	1000	1100	500	1500	1700	4974	4539	4714	4342	1774	586	4370	4050	8082	9545
Sweet Clover	1500	2000	400	1500	1500	1140	547	754	863	1048	1635	1700	650	101	485
Smooth Brome Grass**	150	315	150	120	214	267	537	572	443	469	235	1090	740	561	334
Red Clover - double cut****	50	150	60	60	63	28	24	34	38	43	19	38	17		
Red Clover - single cut****	500	1100	600	800	825	585	318	476	638	320	340	1270	860	364	796
Alsike Clover										66	95	330	530	125	160
Timothy										112	140	280	180	420	69
Meadow Fescue										11	-	24	48	65	18
Creeping Red Fescue										10	31	58	19	16	9
Chewing Fescue										-	-	-	7	6	-
Tall Fescue										-	-	-	9	-	-
Reed Canarygrass										-	-	-	90	-	45
Crested Wheatgrass										264	288	690	470	605	805
Intermediate Wheatgrass***										121	105	180	130	138	145
Northern Wheatgrass										-	-	9	8	2	4
Steambank Wheatgrass										16	4	2	4	20	-
Slender Wheatgrass										57	26	76	70	78	44
Tall Wheatgrass										14	7	14	16	-	-
Western Wheatgrass										4	-	2	5	2	2
Birdsfoot Trefol										-	15	6	18	26	30
Cicer Milkvetch										-	-	-	4	3	-
Altai Wildrye Grass										6	10	9	7	1	1
Dahurian Wildrye Grass										-	-	210	90	-	38
Russian Wildrye Grass										38	43	36	8	46	53
Sainfoin										37	54	22	13	10	30
Kentucky Bluegrass										27	17	24	42	30	27

** Bromegrass includes Meadow Bromegrass from 1994-95 to 1996-97

*** Intermediate Wheatgrass includes Pubescent Wheatgrass in 1995-96 and 1996-97

**** Red Clover value is the sum of single and double cuts in 1996-97

Source: Agriculture and Agri Food Canada: 1983-84 to 1993-94 and Saskatchewan Agriculture and Food 1994-95 to 1997-98

Types of Marketing Systems

Methods of marketing forage seed vary from informal to complex. Some marketing strategies used to sell forage seed are discussed below. Although not a complete list, these are the main methods of sale of forage seed in western Canada. One producer may use several methods of marketing, depending on the type of crops that he is growing, the demand for seed, and the quality of the crop.

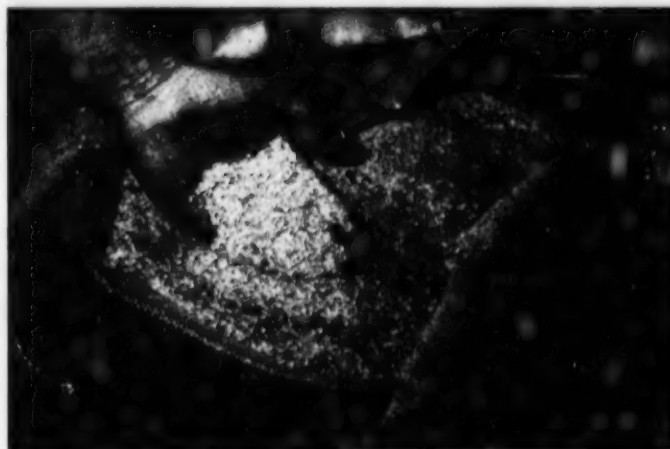
1. Farm Gate Sales –

This type of marketing involves selling a product that has had some basic processing, such as seed cleaning, and germination testing, and is sold locally by word of mouth or by advertising in the farm press. Often sales are of common seed between neighbors, but can also include pedigreed seed. The advantages of this type of marketing, is it's convenience and the potentially modest amount of time required in the marketing and selling process.

2. Retail Farm Sales – This type of marketing involving a more formalized processing operation, that may bag seed or offer seed mixtures. Prices obtained for the product are higher than farm gate selling, due to, on average, seed quality being higher, a greater level of packaging and processing, and more advertising. Although prices obtained for seed in this system are often higher, a greater investment in equipment, advertising and marketing is required. Many farm-based

retailers are agents for larger seed companies.

3. Contracting – Contracting forage seed production involves entering into a legal agreement with a seed company or agent to produce a cultivar for the company or agent. Often contracting is the sole means to



A clean crop is essential for successful marketing.

access international markets for forage seed, due to the extensive marketing ability and contacts that are required to access these markets. A contract may be necessary to grow proprietary varieties. Contract prices are typically lower than retail prices, as the marketing is performed by the seed company or agent. Contract prices are usually set when the contract is signed. Market prices can fluctuate during the contract period, which can be beneficial or detrimental to the producer. Contracting provides price stability to the producer. Contracting can be useful to new producers or when growing a new species, where market knowledge or production expertise assistance can be provided by the contracting company.

4. Purchase Agreement – The grower sells the uncleaned product to a primary seed company on an agreed dockage or clean seed basis, for an agreed price.

Contracts

A contract, in the simplest sense, is a written agreement between two

parties, where one party agrees to produce a seed crop which is available exclusively to the second party. Contracts have a number of terms contained within them, with variation in these terms amongst contracts. Due to the legal obligations that a contract binds the grower to, and varying conditions and obligations found in contracts, the grower

should carefully read each contract to understand his obligations under the contract.

A seed multiplication contract has a number of parts. The contract will identify the two parties, usually the seed company and the grower. Included at the beginning of the contract identifies the cultivar to be multiplied, the number of acres seeded, the date of seeding and the legal land description of the field to be seeded. The contract will also stipulate the amount of seed to be purchased from the contracting party, its price, and the policy regarding any possible leftover seed. The contract will usually require that any unused stock seed be returned or destroyed.

Companies will usually contract the production from that field for a

number of years, and have a provision to renew the contract annually thereafter, depending on the condition of the field and Canadian Seed Growers Regulations on pedigreed stand life. Normally, the grower is required to deliver all production obtained from that acreage to the contractor. Fields are required to be managed to optimize seed production. Contracts normally require that once the contract expires, the stand must be destroyed. Delivery deadlines to the company are stated in the contract, as well as price information and payment terms.

Pricing arrangements can vary. A contract price will be stated, payable to the grower upon delivery of the crop of a predetermined quality. Some pricing options are as follows:

- 1) Fixed Price Contract – Set price for contract term.
- 2) Average Buying Price – Average market price in year of production.
- 3) Market Price with Guaranteed Minimum Price – May also include a maximum price, e.g. market price, which shall be no less than \$0.80/lb, and no more than \$1.20/lb.
- 4) Pedigreed Premiums – market price for common, plus agreed upon premium.

Contracts can contain a number of elements of the above contract types in the same contract, with a portion of the entire crop being priced a particular way (e.g. half fixed at \$0.60/lb, half at market price plus \$0.20/lb).

A number of other restrictions or conditions may apply to forage seed contracts, including inspection rights for the contractor, adhering to requirements for pedigreed seed production as stated in the Canadian Seed Growers Association regulations, and provision for purchasing sub – grade seed.

Many seed companies use contracting as a tool to source seed supplies and provide a consistent supply of quality product to their customers. A list of seed companies, many of which contract forage seed production in western Canada can be obtained by contacting the local Extension Agrologist or Provincial Forage Specialist.